

ACCOUNTING

Time allowed – 2 hours

Total marks – 100

[N.B. – The figures in the margin indicate full marks. Questions must be answered in English. Examiner will take account of the quality of language and of the manner in which the answers are presented. Different parts, if any, of the same question must be answered in one place in order of sequence.]

- | | Marks | | | | | | | | |
|--|-------------|-------------|--------------|-----------|---------------------------|------------|---------------------------|------------|--|
| 1. (a) Briefly explain the purposes of Financial Statements.
With reference to the BAS-1: Presentation of Financial Statements, outline all the components of a set of Financial Statements. | 4 | | | | | | | | |
| (b) Identify any four users of financial statements and explain their needs for accounting information. How does the user get accounting information? | 4 | | | | | | | | |
| (c) The conceptual framework of accounting recognizes qualitative characteristics of financial information that is useful for decision making. Explain. | 4 | | | | | | | | |
| 2. (a) Identify the accounting concept involved in transactions recording and explain the correct accounting treatment for each of the following: | 6 | | | | | | | | |
| (i) Only 10 months' salaries Tk.100,000 are shown in the Trial Balance of Rahman Enterprise for the year ended 31 December 2015. An equal amount is paid for salaries for each month of the year. | | | | | | | | | |
| (ii) Tk.4,600 had been charged to general expenses for the owner's private holiday. | | | | | | | | | |
| (iii) A customer, owing Tk. 5,040 has been declared bankrupt. This amount is to be written off. | | | | | | | | | |
| (b) Write down two transactions which have the following effect in the accounting equation: | 2 | | | | | | | | |
| Assets = Liabilities + Owners' Equity. Increase assets, increase owner's equity and decrease assets. | | | | | | | | | |
| (c) The following relate to the business of Kafi Enterprise for the year ended December 31, 2015. | | | | | | | | | |
| <table style="width: 100%; border: none;"> <tr> <td style="width: 40%;">Sales</td> <td style="text-align: right;">Tk. 688,560</td> </tr> <tr> <td>Sales return</td> <td style="text-align: right;">Tk. 7,600</td> </tr> <tr> <td>Opening Inventory at cost</td> <td style="text-align: right;">Tk. 27,560</td> </tr> <tr> <td>Closing Inventory at cost</td> <td style="text-align: right;">Tk. 36,280</td> </tr> </table> | Sales | Tk. 688,560 | Sales return | Tk. 7,600 | Opening Inventory at cost | Tk. 27,560 | Closing Inventory at cost | Tk. 36,280 | |
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| Gross profit for the year is $33\frac{1}{3}$ of cost of goods sold. | | | | | | | | | |
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| You are required to calculate the: | | | | | | | | | |
| (i) Turnover. | | | | | | | | | |
| (ii) Cost of goods sold. | | | | | | | | | |
| (iii) Amount of purchases. | | | | | | | | | |
| 3. (a) "An error is an irregularity in the accounting records that makes the financial Statements invalid". With this view (i) List five accounting errors that do not affect the agreement of the trial balance and (ii) List five accounting errors that affect the agreement of the trial balance. | 6 | | | | | | | | |

- (b) The following are extracts from the cash and bank statements of IPM Ltd for the month of April, 2016.

Cash Book

Date		DR Taka	Date		CR Taka
April 1	Balance b/d	60,000	April 2	Rahman	2,200
" 7	Mark Taylor	14,000	" 11	Ehasan	5,120
" 13	Yassir Hosain	4,900	" 17	Oishee Hossen	7,600
" 16	Niaz Ahmed	9,780	" 25	Mohaimin	1,840
" 27	Shaila Khan	<u>3,800</u>	" 30	Balance c/d	<u>75,720</u>
		<u>92,480</u>			<u>92,480</u>

Bank Statement Details		Debit Taka	Credit Taka	Balance Taka
April 1	Balance b/d	-	-	60,000
" 3	Rahman	2,200	-	57,800
" 7	Mark Taylor	-	14,000	71,800
" 13	Ehasan	5,120	-	66,680
" 13	Yassir Hossain	-	4,900	71,580
" 19	Credit transfer to Nil	-	900	72,480
" 22	Niaz Ahmed	-	9,780	82,260
" 30	Bank charges	160	-	82,100
" 30	Insurance	1,250	-	80,850
" 30	Provident Fund	2,570	-	78,280

Requirement:

- (i) Prepare the adjusted cash book as at 30th April, 2016.
(ii) Draw up a bank reconciliation statement as at 30th April, 2016.

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- (c) Carol Eaton's accountant has prepared her trial balance which did not balance. The trial balance contained a suspense account balance of Tk.1,110 (credit balance). Realizing that this did not balance, the following errors were discovered by Mike, the internal auditor.

- (i) A credit note for Tk.2,850 was entered on the customer account of P Scott but no entry was made in the returns account.
(ii) The sales account was overcast by Tk.4,800.
(iii) Tk.2,970 of goods withdrawn for Carol's personal use was entered into the drawings account but no other entries were made.
(iv) A discount allowed of Tk 2,520 was credited in error to the discount received account.
(v) Cash sales of Tk 19,780 had not been entered into the sales account.
(vi) A bad debt of Tk 6,300 had been entered in the customer's account but not the bad debt account.
(vii) The purchases account had been under cast by Tk. 2,650.

Requirement: Prepare a suspense account to correct the errors discovered showing clearly the opening and closing balances. (Note: Journal entries are not required.)

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4. (a) Explain Depreciation and Useful Life of Fixed Assets.

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- (b) List the factors or causes that contribute to depreciation of a Fixed Asset.

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- (c) Kabab Ghar does not keep a set of accounting records for its business operations. For the year ended 31 December 2015, the following information was made available:

Opening inventory Tk.7,000, Cost of goods available for sale Tk.227,000, Net profit Tk.8,000, Net current assets Tk.9,000, Short-term loan Tk.1,600, Cost of sales Tk.180,000, Gross profit percentage on sales is 10% , Net book value of non-current assets Tk.163,000, Accounts payable Tk.1,400 and Long-term loans Tk.80,000. Current assets are 4 times higher than current liabilities.

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Requirement: Calculate the following for Kabab Ghar on 31st December 2015:

- (i) Sales.
- (ii) Purchases.
- (iii) Closing inventory.
- (iv) Total operating expenses.
- (v) Total value of current assets.
- (vi) Capital.

5. Top Clean Services has the following unadjusted trial balance after a month of operation as on 30 September 2016:

Trial Balance		
	Debit	Credit
	Taka	Taka
Cash	5,400	
Accounts Receivable	2,800	
Supplies	1,300	
Prepaid Insurance	2,400	
Equipment	60,000	
Notes Payable		40,000
Accounts Payable		2,400
Owner's Capital		30,000
Owner's Drawings	1,000	
Service Revenue		4,900
Salaries & Wages Expenses	3,200	
Utilities Expense	800	
Advertising Expense	400	
	<u>77,300</u>	<u>77,300</u>

Other information are:

- (i) Insurance expense is Tk.200 per month.
- (ii) Tk.1,000 of supplies are in hand at September 30.
- (iii) Monthly depreciation on the equipment is Tk.900.
- (iv) Interest of Tk.500 on the notes payable has accrued during September.

Required to prepare:

- (a) Adjusted Trial Balance.
- (b) Income Statement for the month of September 2016 and Balance Sheet as on 30 September 2016.
- (c) Closing Journal entries.

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